



*United States Attorney
District of New Jersey*



FOR IMMEDIATE RELEASE

February 24, 2011

www.justice.gov/usao/nj

CONTACT: Rebekah Carmichael
Office of Public Affairs
(973) 645-2888

**FORMER U.S. MORTGAGE PRESIDENT SENTENCED TO 14 YEARS IN
PRISON FOR ORCHESTRATING \$136 MILLION FRAUD SCHEME**

NEWARK, N.J. – A Montclair, N.J., man was sentenced today to 168 months in prison for his role in orchestrating the \$136 million fraud scheme that bankrupted Pine Brook, New Jersey-based U.S. Mortgage Corp. and its subsidiary, CU National Mortgage, LLC, United States Attorney Paul J. Fishman announced.

Michael J. McGrath, Jr., 47, the former president and controlling shareholder of closely-held U.S. Mortgage, previously pleaded guilty before U.S. District Judge Katharine S. Hayden to one count of mail and wire fraud conspiracy and one count of money laundering. Judge Hayden also imposed the sentence today in Newark federal court.

According to documents filed in this and related cases and statements made in court:

Beginning as early as 2002 to January 27, 2009, McGrath conspired to fraudulently sell Fannie Mae hundreds of loans belonging to various credit unions. Other members of the conspiracy included U.S. Mortgage's chief financial officer and its servicing manager, Leroy Hayden. McGrath directed Leroy Hayden, who provided numerous reports to credit unions falsely stating that loans that had been sold were still in the credit unions' portfolios, to falsify records to conceal the fraudulent sales.

McGrath admitted that he devised the scheme to prop up U.S. Mortgage, and that he used the proceeds to fund U.S. Mortgage's operations, his personal investments, and investments he made on U.S. Mortgage's behalf.

The pace of the fraudulent sales increased during 2008 and early 2009. On January 27, 2009, dozens of law enforcement agents executed a search warrant at U.S. Mortgage and CU National's Pine Brook headquarters. In the following weeks, U.S. Mortgage and CU National commenced bankruptcy proceedings. Hundreds of U.S. Mortgage employees lost their jobs as a result.

Hayden, 47, of East Stroudsburg, Pa., pleaded guilty before Judge Hayden to one count of wire fraud conspiracy. He is currently scheduled to be sentenced on March 24, 2011.

In addition to the prison term, Judge Hayden sentenced McGrath to three years of supervised release. McGrath also consented to forfeiture of the proceeds of his crimes and \$14 million of his assets that the government has seized or frozen. The Court postponed entry of a restitution order so that the victims' losses could be properly allocated. The total loss amount, previously estimated at around \$139 million, has been calculated as being somewhat less. The restitution order is expected to require McGrath to pay more than \$136 million in restitution to his victims.

U.S. Attorney Fishman credited postal inspectors of the U.S. Postal Inspection Service, under the direction of Acting Postal Inspector in Charge Thomas E. Boyle; special agents of IRS – Criminal Investigation, under the direction of Special Agent in Charge Victor W. Lessoff; special agents of the FBI, under the direction of Special Agent in Charge Michael B. Ward in Newark; and special agents of the U.S. Department of Housing and Urban Development's Office of Inspector General, under the direction of Special Agent in Charge Joseph W. Clarke for the Mid-Atlantic Region, for the investigation leading to today's sentence. Fishman also thanked the United States Postal Service Office of Inspector General for assisting in the investigation. The investigation is continuing.

The government is represented by Assistant U.S. Attorney Mark E. Coyne, formerly of the U.S. Attorney's Office Economic Crimes Unit and now Chief of the Appeals Division.

This case was brought in coordination with President Barack Obama's Financial Fraud Enforcement Task Force. President Obama established the interagency Financial Fraud Enforcement Task Force to wage an aggressive, coordinated, and proactive effort to investigate and prosecute financial crimes. The task force includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general, and state and local law enforcement who, working together, bring to bear a powerful array of criminal and civil enforcement resources. The task force is working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, combat discrimination in the lending and financial markets, and recover proceeds for victims of financial crimes.

11-084

###

Defense counsel: John M. Vazquez, Roseland, N.J.